

VZCZCXRO1885
RR RUEHRG
DE RUEHBR #1067/01 1621915
ZNR UUUUU ZZH
R 111915Z JUN 07
FM AMEMBASSY BRASILIA
TO RUEHC/SECSTATE WASHDC 9199
INFO RUEHSO/AMCONSUL SAO PAULO 0081
RUEHRG/AMCONSUL RECIFE 6791
RUEHRI/AMCONSUL RIO DE JANEIRO 4571
RUCPDO/USDOC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHBU/AMEMBASSY BUENOS AIRES 4822
RUEHAC/AMEMBASSY ASUNCION 6127
RUEHMN/AMEMBASSY MONTEVIDEO 6924
RUEHSG/AMEMBASSY SANTIAGO 6278
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SUBJECT: BRAZIL'S RONDONIA STATE CONFRONTS THE PROBLEMS OF
DEVELOPMENT (BADLY)

REF: A) Brasilia 315, B) Brasilia 1025, C) Brasilia 822

¶1. (SBU) Summary. Located in center-west Brazil, the state of Rondonia forms part of the country's frontier with Bolivia. Sparsely populated until the 1980s, Brazil's military government during its reign paved highway BR 364 to the state's capital, Porto Velho, to encourage (for national security purposes) internal migration to the region. Unfortunately, the helter-skelter rush to populate the state has resulted in a foul mix of development problems: rampant deforestation of Amazon reserves, malaria, corruption, claim-jumping, human rights violations, and lack of respect for the rule of law. Now local civil society is wrestling with how to confront perhaps its most important challenge: whether to proceed with a series of dams on the Rio Madeira which would generate badly-needed employment for the state. Even though some environmental advocates fear construction of the two dams closest to the capital could provoke a series of ecological disasters, the federal, state, and municipal government all strongly support the project. The lack of serious debate on this issue is emblematic of the long path Rondonia must travel to establish a tradition of good government. End Summary.

¶2. (U) This cable is the second in a two-part series looking at the Brazilian frontier states of Acre and Rondonia. During his time in Porto Velho, Emboff met with municipal government officials, NGO representatives, researchers, and the press. Reporting on Acre was sent in ref tel B.

Porto Velho: From Mad Maria to the Present Day

¶3. (SBU) Perched just north of Bolivia, Rondonia sprang to prominence in the early twentieth century as a way station for rubber coming out of Bolivia and headed to market via the Amazon river. As barge transport of the latex along the Rio Madeira (one of the Amazon's tributaries) was a bit slow, Brazilian strategic planners came up with the idea of constructing a railroad through

the dense jungle between Porto Velho and the city of Guajara-Mirim in the southern part of the state. This gargantuan project, which brought in 40,000 laborers - 6,000 of whom died of accidents, malaria and gunfights in the process, ended in failure as the Madeira-Mamore railroad line never reached far enough to make a difference commercially and functioned only sporadically until its eventual closure in 1972. The tragedy of the entire episode was later memorialized in the book "Mad Maria" (later adapted by TV Globo into a popular tele-novela), which captured the sense of excess and abandon seemingly inherent to Rondonia.

¶4. (SBU) Not designated a state until 1981, Rondonia is named after Candido Rondon, the famous Brazilian army colonel who explored the wilderness. In 1913, Rondon, together with ex-President Teddy Roosevelt and one of his sons, set off on a months-long journey through thick, mosquito-ridden jungle to navigate a previously uncharted river - subsequently named, in the ex-President's honor, the Roosevelt River. However, Roosevelt contracted malaria during the trip and the effects of disease, heat, hunger, and physical fatigue (he lost fifty pounds) ended up contributing directly to his death in 1919. Again, yet another example of the degree to which Rondonia is prone to excess.

¶5. (SBU) In the 1980s, Brazil's military government, keen to establish a greater civilian presence on the country's frontier, encouraged marginalized populations from the states of Parana, Mato Grosso, and Espirito Santo to migrate to Rondonia, offering settlers land for ranching and agriculture and the prospect of quick riches mining gold and diamonds. But, as one federal government official resident in Porto Velho noted, the process was poorly planned and more people arrived in the state than could be accommodated. As a result, incoming migrants encroached upon the traditional

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populations of indigenous communities and former rubber tappers living in the interior of the state, and those arriving in Porto Velho overwhelmed the physical and institutional infrastructure of the city. (This process continues as the population of the metropolitan area surrounding the capital increased by nearly 14 percent percent, from 335,000 to 381,000, between 2000 and 2006.)

¶6. (SBU) Rondonia is still feeling the effects of this migration: three-fifths of the state has been deforested and violence abounds, both in the capital and in the interior. Indeed, Porto Velho is one of the few state capitals in Brazil where malaria, sustained by the continued expansion of the Amazon frontier, is endemic.

Lack of Respect for the Rule of Law

¶7. (SBU) Unlike the neighboring state of Acre (septel), Rondonia does not have a history of good governance. In 2006, the Federal Police arrested 23 of 24 members of the state legislature, along with state prosecutors and judges, on charges of corruption. No one ended up going to jail, and incredibly five of the legislators arrested were reelected in 2006 - as was the lone "honest man." As for the current governor, Ivo Cassol, he hails from the "caudillo" tradition. Contacts in Porto Velho report that in television appearance during his reelection campaign, upon being asked why he had not emphasized education more in his administration, he replied that education was not important: "look at me, I'm rich, I'm powerful, but I have almost no schooling." Others report that when a rancher who owned land adjoining Cassol's fazenda stubbornly refused to sell a parcel of that property to him, the Governor had the state police machine gun the rancher's cattle using one of the state police's helicopters.

¶8. (SBU) NGO and civil society reps note that a climate of impunity reigns in Rondonia, with little respect for the rule of law. Crime rates are high in the capital and few crimes are ever solved. Politicians are often on the take, receiving tips in return for legalizing title to land occupied by claim-jumpers. Loggers regularly organize invasions of Indian reserves seeking to illegally exploit stands of hardwood timber. (In 2006, indigenous leader Almir Surui of the Surui tribe ended up being evacuated to Brasilia

and then Washington, D.C. for his own protection after opposing the illegal removal of timber from tribal reserves.) Community leaders and environmental protection officials are threatened when their activities conflict with those of powerful ranching, timber, or mining interests. One USAID-supported NGO stated that credible threats have been made against its staffers who defend indigenous persons as well as IBAMA (the country's environmental agency) personnel who have collaborated with them.

The Mayor of Porto Velho

¶9. (SBU) The one bright spot appears to be the administration of Porto Velho mayor Roberto Eduardo Sobrinho (PT). Sobrinho has opened a dialogue with a wide range of community groups in an effort to move forward on issues such as inadequate housing, improve access to schools, rising crime, and waste disposal. (While Porto Velho's roads are paved, only 2 percent of homes there are hooked up to sewer lines and only 25 percent of residents have access to adequate medical care.) NGO groups report that after years of butting heads with the state and municipal governments, the open exchange of views with city hall has been a breath of fresh air. According to Sobrinho and his cabinet, while they improved a variety of social indicators the largest constraint they face is the lack of employment, particularly for non-skilled workers.

¶10. (SBU) For Sobrinho, the magic bullet in this regard could be

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construction of the two hydroelectric facilities planned just outside the city which are expected to create nearly 20,000 jobs. Together, the two dams (at Santo Antonio and Jirau) would cost about US\$9 billion, with funding coming from the Brazilian National Development Bank (BNDES) and the World Bank. Santo Antonio and Jirau would produce 3,150 and 3,330 megawatts of energy, most destined for the energy-deficient Sao Paulo area although Rondonia and Acre state officials believe that some would remain to satisfy local demand as well.

Pockets of Opposition to the Dams

¶11. (SBU) While President Lula, his Chief of Staff, the Governor, the Mayor, an estimated 90 percent of the population of Porto Velho, and a clear majority of the NGO community support construction of the two dams - one at Santo Antonio and the other at Jirau, a small but vocal element of the local environmental community does not. Critics, supported by the International River Network NGO, raise a variety of compelling points, noting that the environmental impact study done, in their view, is incomplete. They state that:

-- because of possible excess sedimentation it is unclear how much land would be inundated and what would be the consequences. In particular, they worry that if an open landfill just outside of Porto Velho is flooded, the heavy metals buried there could contaminate both the groundwater and the city's supply of drinking water.

-- the increase in standing water near Porto Velho will only exacerbate the city's problems in terms of mosquito-borne diseases such as malaria and dengue fever.

-- the two projects could adversely affect the habitat of migratory fish as well as those of the riverside communities which depend upon these stocks for their livelihood. (The state's fishing industry employs 20,000 workers, of whom 70 percent live in the capital itself.)

-- construction of the dams would worsen Porto Velho's precarious state as the increase in migrants coming to the city (estimated at somewhere between 40,000 and 250,000 people) would overwhelm the capacity of the city to provide social services.

-- Porto Velho does not need the electricity the dams would supply as a 500-km gas pipeline is already being constructed, linking the city to reserves in Urucu (Amazonas state).

-- The main beneficiaries of the project will be Brazil's various construction consortia, which are merely looking to maintain the volume of their business no matter what they build is needed or not.

(Comment: The unstated corollary here is that the politicians

shepherding the initiative would benefit from under the table "tips.")

¶12. (SBU) The opponents' arguments are worthy of debate, but, in many ways, are also irrelevant. Focused on expanding the country's energy infrastructure so as to lessen the possibility of future shortages in the country's large metropolitan areas, President Lula and his Chief of Staff have made clear that they want these dams built. Lula specifically included these two projects in his highly touted national infrastructure package (PAC), released in January shortly after his inauguration. Another element of the PAC was a proposal to split IBAMA (the national environmental agency) in two, Ref C, so that its forest protection functions did not interfere with its environment licensing responsibilities - and projects such as these would move forward. On May 30, Sobrinho told Emboff that he had recently heard that IBAMA had preliminarily approved the two facilities, and in June 5 remarks to the press Lula's Chief of Staff said the same.

¶13. (SBU) Indeed, the Santo Antonio and Jirau dams would represent the vanguard in a package totaling five projects, of which at least two would be bi-national ventures with Bolivia. However, given the

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chill in relations between Bolivia and Brazil, it could be that the bi-national projects are on a somewhat slow track.

Comment

¶14. (SBU) Given the 60 percent deforestation in Rondonia efforts to preserve the Amazon forest, while important, are definitely a rear-guard action. What will prove key in the future is the success, or lack thereof, of state/local authorities in grappling with the problems occasioned by deforestation and runaway development. Absent any improvement in state governance, one can expect to see in coming years increased violence, disease, crime and labor exploitation.

Sobel